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No. 93-63

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

L.A. GEAR, INC.,

Petitioner,

v.

THOM McAN SHOE COMPANY,
MELVILLE CORPORATION and
PAGODA TRADING COMPANY, INC.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

MOTION FOR LEAVE TO FILE AND BRIEF *AMICUS CURIAE* OF ATHLETIC FOOTWEAR ASSOCIATION IN SUPPORT OF PETITIONER

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MOTION FOR LEAVE TO FILE BRIEF *AMICUS CURIAE* OF ATHLETIC FOOTWEAR ASSOCIATION IN SUPPORT OF PETITIONER

Pursuant to Supreme Court Rule 37, Athletic Footwear Association respectfully moves this Court for leave to file the attached *amicus curiae* brief in support of Petitioner L.A. Gear, Inc. Consent to the filing of this brief has been granted by L.A. Gear, Inc., and has been lodged with the Clerk of this Court. Respondents, Thom McAn Shoe Company, Melville Corporation and Pagoda Trading Company, Inc., have withheld their consent, thus necessitating the filing of this motion.

IDENTITY AND INTERESTS OF *AMICUS CURIAE*

Athletic Footwear Association ("AFA") is a nonprofit, tax-exempt business league corporation with approximately 100 members. It was founded in 1982 to serve an international group of manufacturers and marketers of athletic footwear in the United States. AFA's Board of Directors has authorized the filing of an *amicus curiae* brief in support of Petitioner in this matter.

Among the purposes of the AFA, as contained in its Articles of Incorporation and Bylaws, are to promote and facilitate fair worldwide trade in athletic footwear; to articulate and advocate the needs and interests of the athletic footwear industry before legislative, administrative, and judicial branches of government; and to provide information and assistance in cases of trademark or patent infringement, product counterfeiting, and other unlawful trade practices.

AFA requests leave to file the attached *amicus curiae* brief in support of L.A. Gear, Inc.'s Petition for Writ of Certiorari to the Court of Appeals for the Federal Circuit because the Federal Circuit's decision will have a disastrous effect on the footwear industry and, for that matter, on all industries selling products with well-recognized trade dress that has achieved secondary meaning.

AFA believes that if the Supreme Court fails to overturn the Federal Circuit's decision, the intentional copying of a product design with established trade dress may be done with impunity as a matter of law merely by applying the copier's own label to the product, which may even be similar to the label on the original product.

This result would frustrate the fundamental purposes of the Lanham Trademark Act: to protect the public and the trademark and trade dress owners.

This result will also adversely affect consumers, as well as all companies who would undertake the significant expense and risk to develop new products and a business reputation and goodwill associated with those products.

The Athletic Footwear Association, in advancing its purposes of promoting fair trade in athletic footwear and of providing assistance in cases of trademark infringement and product counterfeiting, respectfully requests this Court to grant its motion to file the attached *amicus curiae* brief.

Dated: August 11, 1993

Respectfully submitted,

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BRIEF *AMICUS CURIAE* OF ATHLETIC FOOTWEAR ASSOCIATION IN SUPPORT OF PETITIONER

INTEREST OF AMICUS CURIAE

The Athletic Footwear Association ("AFA") is a non-profit tax-exempt business league corporation with approximately 100 members. It was founded in 1982 to serve an international group of manufacturers and marketers of athletic footwear in the United States.

Among the purposes of the AFA, as contained in its Articles of Incorporation and Bylaws, are to promote and facilitate fair worldwide trade in athletic footwear; to articulate and advocate the needs and interests of the athletic footwear industry before legislative, administrative, and judicial branches of government; and to provide information and assistance in cases of trademark or patent infringement, product counterfeiting, and other unlawful trade practices.

Athletic footwear includes footwear made for sports and fitness activities, as well as athletically-inspired footwear intended for casual wear. Athletic footwear sales for 1992 are estimated at 374,389,000 pairs at an estimated retail value of $11,639,000,000.

For at least the past five years, athletic footwear has accounted for nearly 40 percent of all shoes purchased in the United States, and 80 percent of athletic shoes purchased are for everyday wear or non-athletic use.

Athletic footwear has had phenomenal popularity over the last 10 to 15 years, to the point where almost everyone in the country owns and wears athletic footwear, and the average wearer owns three pairs. While still appealing primarily to the young, in 1992 26 percent of the athletic footwear purchased was worn by people age 35 or older.

AFA files this *amicus curiae* brief in support of L.A. Gear, Inc.'s Petition for Writ of Certiorari to the Court of Appeals for the Federal Circuit because the Federal Circuit's decision will have a disastrous effect on the footwear industry and, for that matter, on all industries selling products with well-recognized trade dress that has achieved secondary meaning.

AFA believes that if the U.S. Supreme Court fails to overturn the Federal Circuit's decision, the intentional copying of a product design with established trade dress may be done with impunity as a matter of law merely by applying the copier's own label to the product, which may even be similar to the label on the original product.

This result would frustrate the fundamental purposes of the Lanham Trademark Act: to protect the public and the trademark and trade dress owners.

This result will also adversely affect consumers, as well as all companies who would undertake the significant expense and risk to develop new products and a business reputation and goodwill associated with those products.

The Athletic Footwear Association, in advancing its purposes of promoting fair trade in athletic footwear and of providing assistance in cases of trademark infringement and product counterfeiting, respectfully requests the Supreme Court grant L.A. Gear, Inc.'s Petition for Writ of Certiorari to the Court of Appeals for the Federal Circuit.

SUMMARY OF ARGUMENT

The Athletic Footwear Association submits that the Federal Circuit Court of Appeals decision in *L.A. Gear, Inc. v. Thom McAn Shoe Company, Melville Corporation* and *Pagoda Trading Company, Inc.*, 988 F.2d 1117 (2d Cir. 1993), raises a question of utmost importance:

> Whether an intentional, willful copier can escape Lanham Trademark Act liability, as a matter of law, by simply affixing a label on intentionally copied products.

The Athletic Footwear Association, as *amicus curiae*, submits that the Federal Circuit's decision that such label-

ing eliminates the likelihood of consumer confusion, as a matter of law, is contrary to controlling precedent and to the purposes of the Lanham Trademark Act.

Consumers will not be adequately protected from confusion as to a product's source, and the marketing and advertising efforts of legitimate innovators and marketers to develop recognized trade dress will be eviscerated because a copier will be allowed virtual freedom to duplicate an established trade dress with impunity.

ARGUMENT

THIS CASE RAISES A QUESTION OF UTMOST IMPORTANCE AS TO:

> **WHETHER AN INTENTIONAL, WILLFUL COPIER CAN ESCAPE LANHAM TRADEMARK ACT LIABILITY, AS A MATTER OF LAW, BY SIMPLY AFFIXING A LABEL ON INTENTIONALLY COPIED PRODUCTS.**

THE FEDERAL CIRCUIT'S DECISION THAT SUCH LABELING ELIMINATES THE LIKELIHOOD OF CONSUMER CONFUSION, AS A MATTER OF LAW, IS CONTRARY TO PRECEDENT AND TO THE PURPOSES OF THE LANHAM TRADEMARK ACT

Amicus will not reiterate the well-reasoned analysis contained in L.A. Gear's Petition for Writ of Certiorari. Rather, AFA will provide additional, relevant support of L.A. Gear's Petition.

The Federal Circuit, having improperly reviewed *de novo* the district court's finding of likely consumer confusion, concluded:

> [T]he conspicuous and permanent placement of the trademarks of L.A. Gear as well as the copyist, and the sophistication of purchasers of fashion athletic

> shoes, clearly outweigh the similarities in the shoe design, insofar as consumer confusion as to source is avoided.

Petitioner's Appendix ("A") at page 29.

Dissenting Circuit Judge Mayer notes:

> The district court's findings on the *Polaroid* [*Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961)] factors are amply supported by the evidence in the record, are not clearly erroneous, and all weigh in favor of its determination that a likelihood of confusion exists. It is apparent that the only way to come to any other conclusion is for this court to reweigh the evidence that was before the trial court, and to substitute its 'hunch' for the district court's judgment. This is an impermissible intrusion on the fact finding role of the district court, and a violation of the proper role of an appellate court.

A.31.[1]

If allowed to stand, the Federal Circuit's "hunch" will increase consumer confusion each time a product design copier slaps its label on the trade dress product. This result would be the antithesis of the primary purpose of the Lanham Trademark Act: protecting the public from confusion as to a product's source.

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[1] While *Amicus* will also not repeat the arguments aptly made by L.A. Gear in its Petition that the standard of review utilized by the Federal Circuit departs from precedents of this Court, the majority of the circuit courts and Congressional intent, it urges the Court to consider them in ruling on the Petition.

A. The Federal Circuit's Subsequent *Reebok* Decision Adds to the Confusion in Trade Dress Law and Increases the Need for this Court to Review the *L.A. Gear* Case

The consumer confusion that will be engendered by the *L.A. Gear* decision is exacerbated by the further confusion in trade dress law raised by another Federal Circuit decision involving athletic footwear decided on July 20, 1993, subsequent to the filing of L.A. Gear's Petition.

In that case, *Payless Shoesource, Inc. v. Reebok Int'l Ltd.*, No. 93-1035, slip op. at 8 (Fed. Cir. July 20, 1993), with Judge Mayer this time voting with a unanimous panel, and applying Tenth Circuit law, the Federal Circuit placed little, if any, weight on the affixing of the intentional copier's label on its product. Rather, the Federal Circuit vacated and remanded the case to the district court for reconsideration of Reebok's motion for a preliminary injunction, after finding that the district court had abused its discretion in failing to adequately consider the extent of post-sale confusion.

The Federal Circuit in *L.A. Gear* had relied on the district court's now overturned *Reebok* decision, noting that the *Reebok* court "found the similarity of appearance of the two shoe designs was lessened by the fact that each shoe bore a different brand name." A.28.

As the district court in the *L.A. Gear* case pointed out,

> [T]he labeling of the shoes does not address the potential for likelihood of confusion in the post-sale context, when consumers see defendants' shoes outside the retail store. Post-sale confusion is also likely in this case because of a similar placement and design of the labels. See *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986); *Le Sportsac, Inc. v. K Mart Corp.*, 754 F.2d 71 (2d Cir. 1985).

A.64.

The Federal Circuit explained in *Reebok*:

> Section 32 of the Lanham Act was amended in 1962 to include confusion of nonpurchasers as well as direct purchasers by striking out language limiting its scope to confusion of 'purchasers as to the source of origin of such goods or services.' Pub. L. No. 87-772, 76 Stat. 768,773 (1962). As a result, several of our sister circuits have recognized that an action for trademark infringement may be based on confusion of consumers other than direct purchasers, including observers of those wearing an accused article. (Citations to decisions of the First, Second, Fourth, Fifth, Ninth and Eleventh Circuits omitted.)

Payless Shoesource, Inc. v. Reebok Int'l Ltd., No. 93-1035, slip op. at 9 (Fed. Cir. July 20, 1993).

In *Reebok*, the Federal Circuit court concluded that post-sale confusion is equally relevant to a claim of trade dress infringement as it is to trademark infringement, citing the Second Circuit's *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867 (2d Cir. 1986). Because the *L.A. Gear* case was originally filed in the Second Circuit, it is the Second Circuit's precedent that is controlling on the trade dress issues.

Other courts, unlike the *L.A. Gear* decision, have found actionable trade dress infringement, despite the presence of labels, in cases involving athletic shoes. *Keds Corp. v. Renee Int'l Trading Corp.*, 888 F.2d 215, 222 (1st Cir. 1989); *Reebok Int'l Ltd. v. Sung Hwa Int'l Corp.*, 6 U.S.P.Q.2d 1233, 1235 (S.D.N.Y. 1987). The First Circuit observed in *Keds*, "[w]ith sneaker labels, where the . . . words can only be read a few feet away from the eyes, such confusion [of prospective consumers, viewing the shoes of other people] is quite relevant." *Keds*, 888 F.2d at 222.

It should be obvious from the number of recent Lanham Trademark Act cases involving athletic footwear that this case is of interest to more than just the immediate parties.

Because the Federal Circuit's appellate jurisdiction over the patent issues often includes such trademark disputes, this Court should establish the standard once and for all in such trade dress cases.

B. The Federal Circuit's Decision Fails to Properly Apply the Law of this Court and of the Second Circuit

Section 43(a) of the Lanham Trademark Act entitles the first manufacturer of a product to an unregistered trademark in the "trade dress" of its product. *Stormy Clime Ltd. v. Pro-Group, Inc.*, 809 F.2d 971, 974 (2d Cir. 1987). The trade dress of a product "involves the total image of a product and may include features such as size, shape, color, or color combinations, texture, [or] graphics." *Id.* at 974 (quoting *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir. 1983)).

The Lanham Trademark Act establishes liability for selling products which have non-functional, distinctive trade dresses that are likely to confuse consumers. *Taco Cabana Intl, Inc. v. Two Pesos, Inc.*, ____ U.S. ____, 112 S.Ct. 2753, 2758 (1992).

The test in the Second Circuit for resolving likelihood of confusion issues requires district courts to examine and weigh:

> [T]he strength of [the copied] mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers.

Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir.) *cert. denied*, 368 U.S. 820 (1961).

The Federal Circuit's holding below deviates from this weighing and balancing test by deciding, as a matter of law, that by simply affixing a label on intentionally copied products a willful copier can escape liability under the Lanham Trademark Act.

Further, the Federal Circuit's decision deviates from this Court's recent decision affirming the trial court and Fifth Circuit's holding that Two Pesos had infringed Taco Cabana's trade dress under Section 43(a) of the Lanham Trademark Act. This Court affirmed a finding of trade dress infringement involving Mexican restaurants despite prominent signs on the restaurants distinguishing them by name for all consumers.

The Fifth Circuit's observation is relevant here:

> The issue is not whether customers can read signs and marks that identify different restaurants, but whether customers assume some affiliation between Taco Cabana and Two Pesos.

Taco Cabana Int'l, Inc. v. Two Pesos, Inc., 932 F.2d 1113, 1122 (5th Cir. 1991), *aff'd*, ____ U.S. ____, 112 S. Ct. 2753 (1992).

In light of these decisions, the district court's findings with respect to similarity between L.A. Gear's Hot Shots and the challenged Aerobix, MacGregor and Balloons shoes are important:

> [A]ll contain substantially the same design configuration as the Hot Shots. They each contain a logo bearing their trade name on the delta wing portion of the shoe in the same place and with much the same design as the L.A. Gear logo which appears on the Hot Shots. The manufacturer's name does not appear anywhere on the challenged shoes. The overall visual

> feature of defendants' shoes are strikingly similar to the trade dress of the L.A. Gear Hot Shots.

A.43.

Upon introducing the Hot Shots model as its "signature shoe" in 1987, L.A. Gear spent over 70 percent of its advertising expenditures on the Hot Shots campaign, including over $5 million in 1988. A.39. As of February 15, 1989, over four million pairs of Hot Shots had been sold. A.41.

As the district court found,

> It is not unusual for a certain segment of the footwear industry to make competitive versions of popular branded shoes. . . . [However,] [i]n making competitive versions, athletic shoe companies generally attempt to differentiate their models so that they are not sufficiently similar in appearance to cause confusion in the marketplace.

A.41-42.

Amicus submits that the Federal Circuit's decision unnecessarily "undresses" trade dress law. Are consumers at a K Mart store, which sells other nationally branded shoes and has sold L.A. Gear shoes in the past (A.63.), going to know that virtually identical shoes to those they have seen advertised, but containing a different name that does not identify a company or manufacturer, are not made by L.A. Gear or under its auspices? Not in the district court's judgment. A.64.

Are consumers who see the copier's virtually identical shoes outside the retail store where the potential for inferior quality could have an adverse effect on the original manufacturer's reputation going to know that these are not made by the original manufacturer? Not in the district court's judgment. In fact, the district court found that

"[p]ost-sale confusion is also likely in this case because of a similar placement and design of the labels." A.64.

Thus, the district court found that, rather than eliminating the likelihood of confusion in this case, the labels actually made it likely that additional post-sale confusion would occur.

The Federal Circuit's decision threatens to eviscerate the marketing and advertising efforts of legitimate innovators and marketers to develop recognized trade dress, because it will allow an intentional copier virtual freedom to duplicate an established trade dress with impunity.

CONCLUSION

For all of the foregoing reasons and those set out in more detail in Petitioner's Brief, the Athletic Footwear Association, as *amicus curiae*, respectfully recommends that this Court grant L.A. Gear's Petition for Writ of Certiorari to the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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